Metrics Affected	Data Months Affected
OR-1-10[17]	June 2000 - September 2001
OR-2-03[17]	June 2000 - September 2001
OR-2-04[17]	June 2000 - September 2001
OR-2-05[17]	June 2000 - September 2001
OR-2-06[17]	June 2000 - September 2001
OR-2-07[17]	June 2000 - September 2001
OR-2-08[17]	June 2000 - September 2001
OR-2-09[17]	June 2000 - September 2001
OR-2-10[17]	June 2000 - September 2001
OR-3-01[17]	June 2000 - September 2001
OR-5-01[17]	June 2000 - September 2001
OR-1[18]	June 2000 - September 2001
OR-6-03[19]	August 2000 - September 2001
PR-1-01[20]	June 2000 - August 2001
PR-1-09[20]	June 2000 - August 2001
PR-1-12[20]	June 2000 - August 2001
PR-2-01[20]	June 2000 - August 2001
PR-2-09[20]	June 2000 - August 2001
PR-2-18[20]	June 2000 - August 2001
PR-3-01[20]	June 2000 - August 2001
PR-3-02[20]	June 2000 - August 2001
PR-3-04[20]	June 2000 - August 2001
PR-3-11[20]	June 2000 - August 2001
OR-1-03[21]	July 2000 - September 2001
OR-1-04[21]	July 2000 - September 2001
OR-1-05[21]	July 2000 - September 2001
OR-1-06[21]	July 2000 - September 2001
OR-1-07[21]	July 2000 - September 2001
OR-1-08[21]	July 2000 - September 2001
OR-1-09[21]	July 2000 - September 2001

Metrics Affected	Data Months Affected
OR-1-10[21]	July 2000 - September 2001
OR-1-03[22]	June 2000 - August 2001
OR-2-04[21]	July 2000 - September 2001
OR-2-05[21]	July 2000 - September 2001
OR-2-06[21]	July 2000 - September 2001
OR-2-07[21]	July 2000 - September 2001
OR-2-03[21]	July 2000 - September 2001
OR-1-04[22]	June 2000 - August 2001
OR-1-05[22]	June 2000 - August 2001
OR-1-06[22]	June 2000 - August 2001
OR-1-07[22]	June 2000 - August 2001
OR-1-08[22]	June 2000 - August 2001
OR-1-09[22]	June 2000 - August 2001
OR-1-10[22]	June 2000 - August 2001
OR-2-03[22]	June 2000 - August 2001
OR-2-04[22]	June 2000 - August 2001
OR-2-05[22]	June 2000 - August 2001
OR-2-06[22]	June 2000 - August 2001
OR-2-07[22]	June 2000 - August 2001
OR-2-08[22]	June 2000 - August 2001
OR-2-09[22]	June 2000 - August 2001
OR-2-10[22]	June 2000 - August 2001
PR-1[23]	June 2000 - August 2001
PR-2[23]	June 2000 - August 2001
PR-3[23]	June 2000 - August 2001
BI-3-01[24]	February 2001 - September 2001
BI-3-03[24]	February 2001 - September 2001
BI-8-02[24]	February 2001 - September 2001
BI-8-02[24]	February 2001 - September 2001
PO-2-02[25]	December 2001

Metrics Affected	Data Months Affected
PO-1-07[26]	August, 2001, September 2001, October 2001, November 2001
PO-2-02[27]	November 2001
PO-4-02[28]	February 2001 - December 2001

END NOTES

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[1] Change Control Notification CC#CCNJ 2001-00900-Pre. "With the implementation of CCxx2001-00524-Pre in April 2001, it was discovered that the Wholesale EnView EDI and CORBA PGP scripts occasionally timeout before a response is received due to incorrect code on the EDI/CORBA parser server. This causes the transactions to error and not be captured in the timeout metric calculation or any other PO metric calculation. These transcripts are valid and should be included."

[2] Change Control Notification CC#CCNJ 2001-01770-Ord. "During an internal review of Jan and Feb 2001 ordering metrics a discrepancy in metric counts was discovered. An investigation uncovered faulty program logic which caused denominators to be off by a maximum of 2. Only the following metrics, OR-1-01, 1-03, 1-04, 1-05, 1-06, 2-03, 3-01, 5-01, 7-01 were affected in the Jan and Feb data months. This change request is to advise that the correction in program logic was made in May 2001 without an approved change control and no longer produces variations in the metric denominators." It should be noted that the notice states that January and March data were affected. However, the notice elsewhere states that February was impacted.

[3] Change Control Notification CC#CCNJ 2001-01949-Pro. "The PR-1-01 and 1-02 metrics include cancelled orders in the calculation of Offered Interval. PR-1-01 measures the offered interval No Dispatch orders. PR-1-02 measures the offered interval on Dispatched orders. When dispatched (PR-1-02) 2-Wire Digital and 2-Wire xDSL Loop orders are cancelled, SORD captures them in the No Dispatch metric (PR-1-01). This occurs because SORD determines the primary dispatched indicator through a feed from WFA. Canceled orders never get dispatched. Therefore, they do not carry a dispatched indicator. In the absence of a dispatch indicator, SORD categories canceled Dispatched orders in the No Dispatch metric. This has caused the No Dispatch offered interval to inflated with dispatched intervals from canceled orders."

[4] Change Control Notification CC#CCNJ 2001-02033-Pro. "On the Master Purchase Order Number (PON)/LSR file, the CLEC ID field contains a three character alpha designation from the LSR. This three character field is converted to a 4 character numeric field in the Service Order Processors (SOP), which feeds SORD. The requirement for matching SORD records to the Master PON/LSR file is to match on PON number and CLEC ID in both systems. When PON/SORD data is compared against the Master Pon file, matches are not returned due to the difference in the CLEC ID fields. Since there are no matches, SORD is unable to adjust the intervals for after 5PM receipt time."

[5] Change Control Notification CC#CCNJ 2001-02102-Pro. "An August 2001 review of intervals documentation for Resale products revealed that the standard interval for "as-is" migration orders is same day or one day depending upon LSR receipt time. Therefore, Resale "as—is" migration orders with a customer desired due date of greater than one day should be excluded from the metrics."

[6] Change Control Notification CC#CCNJ 2001-02108-Pro. "Change Controls CCMSTR2001-00615 and 2001-00625 inappropriately applied standard disconnect intervals and incorrectly excluded certain disconnect orders from the metric calculation. Analysis in August 2001 revealed that while disconnect orders for POTS generally have a same day interval, other services like ISDN, Centrex and Specials have greater than same day intervals. Further analysis is required to correctly identify disconnect intervals by product and determine if systems have the ability to apply varying standard intervals across products. Until this analysis is completed, the coding implemented under change controls 615 and 625 will be removed."

[7] Change Control Notification CC#CCNJ 2001-02189-Ord. "Recent analysis has revealed that a number of orders initially marked as eligible for Flow Through had the Flowthrough Indicator change to "N" (No) even though they did flow through and the appropriate electronic confirmation notices were provided to the CLECs. These orders are included in the denominator but are erroneously excluded from the numerator thus reducing the performance results."

[8] Change Control Notification CC#CCNJ 2001-02271-Net. "The NP-6-01 quarterly performance reported in June 2001 was incorrect. The data reporter for NP-6-01 inadvertently used the Affiliate Aggregate file for Retail performance."

[9] Change Control Notification CC#CCNJ 2001-02287-Bil. "The Billing Reformat System (BRS) team observed a disparity in the denominator (count of paper Carrier Bills distributed) for the May and June 2001 data month for the Timeliness of Carrier Bill (BI-2) metric. This disparity became apparent since a history of this metric produced flat results over time. Although observations identified were incorrectly stated, the Verizon Billing system distributed all bills on time and the timeliness metric was unaffected."

[10] Change Control Notification CC#CCNJ 2001-02298-Mai. "To comply with the 5/17/2000 revision to the FCC UNE Remand order, Verizon began to offer Dark Fiber, where available, as an unbundled network element (UNE) to CLECs throughout the footprint. Dark Fiber is a continuous fiber optic strand in an existing in-place fiber optic cable sheath owned by Verizon. Dark Fiber is not considered a UNE loop, EEL or IOF. Dark Fiber is a separate product that is not considered part of the 271 filing and not measured in Verizon's performance. Therefore, it should not be counted in the UNE loop or UNE Specials metrics."

[11] Change Control Notification CC#CCNJ 2001-02329-Pro. "It was determined in August 2001 that the Provisioning file used to score installation trouble reports (I codes) contained inconsistent circuit data for Retail and Resale 2-Wire Digital products. This inconsistency results in non-scoring of some repeat installation trouble reports (I codes)."

[12] Change Control Notification CC#CCNJ 2001-02404-Ord. "Investigation has revealed that the categorization of stand alone directory listings for certain request types has not been accurate. The listings are being incorrectly omitted from the UNE OR metrics. This issue was identified with the June 2001 system release which replaced DCAS with Request Manager in certain

Verizon locations. Request Manager did not contain the same categorization functionality for stand alone directory listings as DCAS. This issue has affected Request Manager transactions since inception."

[13] Change Control Notification CC#CCNJ 2001-02461-Pro. "The sampling error formula and associated Z score results have been incorrect since June 2000 for NJ monthly C2C Aggregate Reports. Currently, the sampling error will only populate when there is at least one Verizon observation and the CLEC Observations are 10 or greater. The sampling error should populate whenever there is a Verizon observation and at least one CLEC Observation. In addition, in the formula, the denominator incorrectly adds Verizon observations to Verizon observations when the denominator should add Verizon Observations to CLEC observations."

[14] Change Control Notification CC#CCNJ 2001-02543-Bil. "A Wholesale Billing Assurance & Solutions review identified that Reseller discounts were not removed from the denominator used for the calculation of the BI-3-01 and BI-3-03. This problem was uncovered in September 2001."

[15] Change Control Notification CC#CCNJ 2001-02603-Ord. "Currently, those DS1s and DS3s that are ordered in quantities less than 10 are incorrectly measured against a 48 hour interval. A C2C Guideline footnote states that orders requiring a facility verification are measured against a 72 hour interval. Because they require facility verification, DS1s and DS3s that are ordered in quantities less than 10 lines must be re-classified to comply with the 72 hour interval."

[16] Change Control Notification CC#CCNJ 2001-03260-Pro. "Internal review in October 2001 revealed that the data used in the calculation of the Numerator of PR-6-01 and PR-6-03 for I codes does not currently capture all area codes. Area code 201 is included in the data, but area codes 732, 973, 609, 856, 908 are not."

[17] Change Control Notification CC#CCNJ 2000-00106-Ord. A small percentage of ASRs are duplicate records caused by Verizon's transactions processed by multiple service representatives."

[18] Change Control Notification CC#CCNJ 2001-00640-Ord. "The C2C guidelines require Verizon to include Local Service Request Confirmations (LSRC) resent due to Verizon error in the Order Confirmation Timeliness (OR-1) metrics. This has been a requirement in the NJ C2C Guidelines since June, 2000. Since Verizon does not currently have the ability to distinguish reasons for resent confirmations, the state commissions were notified by Verizon of an interim process that would use the first FOC."

[19] Change Control Notification CC#CCNJ 2001-00693-Ord. "This metric was required in August but was populated with incorrect data. The metric included all resent LSRs instead of only LSRs resent due to actions by Verizon."

[20] Change Control Notification CC#CCNJ 2001-01780-Pro. "During an internal review, it was revealed that SORD is currently excluding a combined total of negative intervals and >200 day intervals for both affected and completed metrics."

[21] Change Control Notification CC#CCNJ 2001-01732-Ord. "Current LSR processing does not allow the Ordering Metrics Database/Ordering Metrics Management (OMD/OMM) Systems to accurately capture the number of lines impacted by a LSR. This problem has existed since July

2000. A mechanical process to capture total line count on all LSRs is required. This will allow Verizon to accurately capture the number of lines impacted in all instances...IT initiative required."

[22] Change Control Notification CC#CCNJ 2001-01877-Ord. "The determination of the number of lines on an LSR is being processed incorrectly by Request Manager causing overstating on the number of lines. This change will provide for correct reporting or data for these metrics...IT initiative required."

[23] Change Control Notification CC#CCNJ 2001-01915-Pro. "This change will correct negative intervals when service order application dates and due dates fall in the same weekend."

[24] Change Control Notification CC#CCNJ 2001-01818-Bil. "Certain billing adjustments have been incorrectly included in BI-8 when they should have been included in BI-3. Depending upon how adjustments are entered by the Customer Billing Organization (CBO) they either flow correctly to the BI-3 metric or incorrectly to the BI-8 metric causing both metrics to be calculated incorrectly."

[25] Change Control Notification CC#CCNJ 2001-03145-Pre. "The calculation of PO-2 is based on interface outages captured by EnView and those reported by CLECs. EnView transactions run on EDI server pairs. A new pair of servers was implemented in May 2001. EnView transactions associated with these servers should now be included in the metric calculation for PO-2-02."

[26] Change Control Notification CC#CCNJ 2001-03258-Pre.. "The calculation of PO-1-07 CLEC performance is based on simulated EnView transactions. The performance results for PO-1-07 only include EnView transactions for one of the two EDI servers that handles CLEC EDI transactions. A new EDI server was implemented in May 2001. EnView transactions associated with this new server pair should be included in the calculation of PO-1-07."

[27] Change Control Notification CC#CCNJ 2001-03248-Pre. "With the implementation of PreOrder LSOG5 on 10/31/01, EnView began sending EDI LS0G-5 compliant transactions to the backend systems for measuring PO-2. Following the transition of EnView to LSOG-5, errors were identified in the EDI Enview process which caused certain transactions to fail and for failed transactions to be incorrectly marked as successful."

[28] Change Control Notification CC#CCNJ 2001-02839-Pro. "In February 2001, metric reporting for PR-4-02 and PR-5-03 migrated from SORD to ED. A review of PA PR-4-02, PR-5-02 and PR-5-03 Specials, EEL, IOF and Trunk data in August 2001 revealed that the average delay reported by the Evidentiary Database (ED) for PR-4-02 and the greater than 15 day and greater than 60 delay reported in PR-5-02 and 5-03 respectively are not calculated correctly. Only Verizon-caused delays should be reported in these metric[s]. If there is a customer delay embedded in the total delay, those days should be removed."

ATTACHMENT 5

ILLUSTRATIVE EXAMPLE

			Standard	Perf.	Observations
OR-5-03			95.00%	80.00%	5000

Diff in Perf	1	15.00%
Measured Units	2	5000
No. Affected Units (Line 1*Line 2)	3	750
Moderate Per Unit Credit Per IP	4	$75
CLEC Credit (Line 3*Line 4)	5	$56,250

No. of Units Manually Processed (Line 2*20%)	6	1000
25% of Customers Remain w/VNJ (Line 6*25%)	7	250
Annual Local Revenue Per Customer (Line 7*$18/mo.*12 mos.)	8	$216.00
Local Revenue Benefit to VNJ (Line 7*Line 8)	9	$54,000.00

A

Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of Application of Verizon New Jersey, Inc., BellAtlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a/ Verizon Enterprise Solutions), Verizon Global Networks, Inc., and Verizon Select Services, Inc., for Authorization to Provide In-Region InterLata Services in New Jersey	)	CC Docket No. 01-347

DECLARATION OF STEPHEN G. HUELS
ON BEHALF OF AT&T CORP.

I. QUALIFICATIONS AND PURPOSE OF TESTIMONY.

1. My name is Stephen G. Huels. My business address is 222 West Adams, Suite 1100, Chicago, Illinois 60606. I am Product Management Vice President for Integrated Services Transport Products, which includes UNE Platform, DSL and Resale Products, in AT&T Consumer Services. My responsibilities in my current position include the planning, development, and implementation of AT&T's bundled voice and DSL service offerings to residential customers nationwide. I am responsible for directing the deployment of AT&T's systems and processes to support market entry nationwide, and I am responsible for ongoing operational and financial oversight of the UNE-P, UNE-L and DSL systems and processes used to provide local residential telephone service nationwide.

2. I have been employed by AT&T since 1979 and have held numerous assignments in various AT&T organizations. I assumed my present position on July 15, 2001. For the last 6 years, I have led a variety of product management and engineering teams

responsible for planning, implementation, and/or management of AT&T's local services on both a regional and national level. I have previously held leadership positions in engineering, business sales, and supplier management.

3. I hold a Bachelor of Science in Business Administration degree from Southern Illinois University – Edwardsville and an MBA in Technology Management from the University of Phoenix. I hold a professional designation of Chartered Financial Analyst.

4. The purpose of my declaration is to describe AT&T's residential facilities-based local entry plan in New Jersey and how Verizon's new "hot cut" non-recurring charge ("NRC") will undermine AT&T's ability to carry out that plan.

II. AT&T'S RESIDENTIAL LOCAL TELEPHONE ENTRY STRATEGY FOR NEW JERSEY.

5. AT&T has been considering a number of strategies for entering the local residential market in New Jersey. One option AT&T is considering is to provide residential customers with a bundled service that includes: (1) local voice telephone services; (2) digital subscriber line ("DSL") service; (3) Internet service provider services; and (4) all of the consumer premises equipment that the consumer will require to access these services. In addition, local customers will have the opportunity to include AT&T long distance services in the bundled service offering.

6. AT&T's goal is to provide these services using its own facilities collocated in Bell Operating Company ("BOC") central offices, purchasing only the unbundled loop ("UNE-L") from the BOC. To achieve that goal, AT&T must provide voice switching, digital carrier systems, data packet routers and other equipment necessary for its bundled voice/data service, as well as obtain and construct collocation space in Verizon central offices.

AT&T has already made substantial investments in such equipment and collocation space in New Jersey and other states.

7. However, because AT&T will be providing facilities-based services, every time that AT&T wins a Verizon customer, the loop serving that customer must be physically moved within the Verizon central office so that it terminates at AT&T's collocated switch rather than at Verizon's switch. The process of physically moving a line that terminates on Verizon's equipment to AT&T's equipment is called a "hot cut."

8. Verizon charges AT&T and other CLECs a fixed up-front non-recurring charge ("NRC") – that is supposed to be consistent with TELRIC principles – for performing hot cuts. Verizon's hot cut NRCs have historically ranged from about $4.07/line in Pennsylvania to $32.16/line in New Jersey. *See* Sczepanski Decl., Table 1. On November 20, 2001, however, Verizon and the New Jersey Board of Public Utilities ("NJBPU") erected an enormous roadblock to AT&T's facilities-based residential voice/data entry plans by increasing Verizon's hot cut NRC from $32.16/line to $159.73/line. That means that for every existing residential customer that AT&T wins from Verizon, AT&T must pay Verizon $159.73 to have that customer's line physically transferred so that it terminates at AT&T's facilities (and $233.12 if a premises visit is required). This enormous hot cut NRC creates a substantial barrier to facilities-based local telephone and data entry in New Jersey.

9. AT&T could not pass Verizon's hot cut NRC increase on to its residential local customers and hope to win any customers. Nor is it economically feasible for AT&T to absorb Verizon's enormous $159.73/line hot cut NRC. AT&T's internal analysis shows that, based on Verizon's new $159.73/line New Jersey hot cut NRC, the time it would take AT&T to recover its up-front costs and investment would be extended beyond its expected customer

retention period. Thus, Verizon's NRC increase makes it highly uncertain that it would even be economically feasible for AT&T to move forward with its current plans to provide facilities-based residential voice/data services in New Jersey.

10. Verizon's New Jersey hot cut NRC increase also is likely to have a chilling affect on facilities-based local telephone and data investment by competitive local exchange carriers ("CLECs") in other states as well. As noted above, other Verizon territories have substantially lower hot cut NRC than does Verizon-NJ. If Verizon-NJ is permitted to raise its New Jersey hot cut NRCs from $32.16 to $159.76, Verizon will be further emboldened to demand similar NRC increases in other states. Faced with potential cost increases of this magnitude, AT&T and other CLECs will be reticent about implementing new facilities-based local entry strategies in states served by Verizon outside of New Jersey – even if the hot cut NRCs in those other states currently appear to support entry – because AT&T and other CLECs would fear arbitrary rate increases that, once again, render entry in those states economically infeasible.

III. CONCLUSION.

11. In sum, a substantial reduction in the New Jersey hot cut NRC is a necessary predicate to facilities based competition in New Jersey.

VERIFICATION PAGE

I declare under penalty of perjury that the foregoing Declaration is true and correct.

Stephen G. Huels

Executed on: January 14, 2002

B

Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of Application of Verizon New Jersey, Inc., BellAtlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a/ Verizon Enterprise Solutions), Verizon Global Networks, Inc., and Verizon Select Services, Inc., for Authorization to Provide In-Region InterLata Services in New Jersey	)	CC Docket No. 01-347

DECLARATION OF JOHN SCZEPANSKI
ON BEHALF OF AT&T CORP.

I. QUALIFICATIONS AND PURPOSE OF TESTIMONY.

1. My name is John Sczepanski. My business address is 900 Route 202/206 North, Bedminster, NJ 07921.

2. I am employed by AT&T Corp. ("AT&T") as a Product Manager in AT&T's Business Services organization. In this position I am responsible for the local voice business plan attainment in the small business market. I also have experience in operations, network planning, engineering, new service development, large program management and international business I have a Bachelor's degree from La Salle University and have been with ATT for 30 years

3. The purpose of my declaration is to describe AT&T's small and medium sized business facilities-based local entry plan in New Jersey and how Verizon's new "hot cut" non-recurring charge ("NRC") will undermine AT&T's ability to carry out that plan.

II. AT&T'S SMALL AND MEDIUM SIZED BUSINESS LOCAL TELEPHONE ENTRY STRATEGY FOR NEW JERSEY.

4. AT&T's ultimate goal is to provide facilities-based services to small to medium sized businesses in New Jersey, leasing only loops from Verizon. However, it is not economically feasible for AT&T to install its own equipment in New Jersey before it has obtained enough customers to generate sufficient revenues to allow AT&T to recover the substantial up-front costs of purchasing, installing and operating those facilities. Accordingly, AT&T's New Jersey local telephone entry strategy for small and medium-sized businesses is divided into two stages. In the first stage, AT&T plans to acquire local telephone customers in New Jersey using a UNE-P based approach, thereby enabling a transparent service transition of the customer service and avoiding the large up-front costs associated with purchasing and collocating the equipment necessary to provide facilities-based services. In the second stage, after AT&T has acquired a sufficient number of customers to make deployment of its own switching and other equipment economically feasible, AT&T plans to migrate in bulk its UNE-P customers to a facilities-based UNE-loop ("UNE-L") service.[1]

5. AT&T has already begun to implement its New Jersey local telephone entry plan, albeit on a relatively small scale. AT&T currently serves a number of small and medium sized business customers in New Jersey using UNE-P, and AT&T has developed a business plan to convert most of those customer's lines from UNE-P based lines to UNE-L facilities-based lines in 2002. In fact, AT&T has already made substantial investments in

[1] At the time AT&T developed this entry plan in mid-2001, it was anticipated that Verizon's New Jersey UNE rates would be sharply reduced at the end of the then-ongoing UNE rate case before the NJBPU, thereby making facilities-based local entry into New Jersey economically feasible for the first time since the adoption of the 1996 Act.

network infrastructure (Digital Loop Carrier Systems in collocation) in anticipation of carrying out the above-mentioned UNE-P to UNE-L migrations.

6. A critical component of migrating customers from UNE-P based services to UNE-L based services is the physical transfer of the UNE-P loops served by AT&T from Verizon switches – where those loops currently terminate – to AT&T's switches. The process of physically transferring a line that terminates on Verizon's equipment to AT&T's equipment without a significant service outage is called a "hot cut."

7. Verizon charges AT&T and other CLECs a fixed up-front fee – that is supposed to be consistent with TELRIC principles – for performing hot cuts. Verizon's pre-November 20, 2001 NRCs for hot cut functions were already substantially higher than Verizon's overstated NRCs for hot cut functions in other Verizon territories (*see* Table 1, below).

Table 1. Pre-November 20, 2001 Intra-State Comparison Of Two-Wire Hot Cut NRCs.

STATE	Service Order	C.O. Wiring	Provisioning	Installation (C.O Wiring + Provisioning)	Total Without Premises Visit	Premises Visit	Total With Premises Visit
New Jersey	$23.55	N/A	N/A	$8.61	$32.16	$75.08	$107.24
Virginia	$10.81	N/A	N/A	$2.68	$13.49	$44.87	$58.36
Maryland	$6.70	N/A	N/A	$9.52	$16.22	$58.20	$74.42
Pennsylvania	$1.06	N/A	N/A	$3.01	$4.07	$64.65	$68.72
Delaware	$15.16	N/A	N/A	$7.36	$22.52	$67.95	$90.47
Massachusetts	$0.00	$1.90	$13.36	$15.26	$15.26	$36.26	$51.52

Note: Verizon's current tariffs do not explicitly identify a hot cut rate. The hot cut charges for current tariffs are calculated using comparable UNE elements.

8. AT&T has already begun to carry out its UNE-P to UNE-L migration plan – in anticipation of reduced New Jersey UNE rates at the conclusion of the recent UNE rate case

in New Jersey – by making substantial investments in network equipment to carry out that plan. On November 20, 2001, however, Verizon and the New Jersey Board of Public Utilities ("NJBPU") effectively halted AT&T's UNE-L based small to medium sized business local telephone entry plans by substantially increasing Verizon's hot cut NRC by almost 400 percent. Verizon's new NRCs for hot functions are now even more hopelessly out of line compared to those in other Verizon territories. *See* Table 2 (below).

Table 2. Verizon-NJ's November 20, 2001 Hot Cut NRC Compared to Other States.

	Amount by Which Verizon's November 20, 2001 Rates Exceeds Each State.	
STATE	**Without Premises Visit**	**With Premises Visit**
New Jersey Nov. 20, 2001 Hot Cut Rate	$159.76	$233.12
New Jersey Pre-Nov. 20, 2001	397%	117%
Virginia	1,084%	299%
Maryland	885%	213%
Pennsylvania	3,825%	239%
Delaware	609%	158%
Massachusetts	947%	352%

9. Verizon's new hot cut NRC creates a significant barrier to AT&T's local telephone entry plans by inflating AT&T's per line cost of migrating customers from UNE-P based services to UNE-L based services by nearly 400 percent (from $32.16/line to $159.76/line). That means that AT&T would have to either (1) recover an additional $127.60/line in revenues to cover Verizon's massive hot cut NRC increase; or (2) absorb that

NRC increase. Neither approach is economically feasible. If AT&T attempted to pass on these exorbitant hot cut rates in the form of higher local telephone rates it would retain and acquire fewer customers.

10. Nor is it economically feasible for AT&T to absorb the hot cut NRC increase. AT&T's internal analysis shows that, based on Verizon's new $159.73/line New Jersey hot cut NRC, the time it would take to recover AT&T's up-front costs and investment would be extended beyond the expected customer retention period. Therefore, if Verizon's new $159.76 NRC for hot cut functions remains in effect in New Jersey, AT&T would have no economic choice but to significantly cut back or abandon its plan to convert existing UNE-P customers to facilities-based UNE-L services. That analysis also shows that, given Verizon's new NRCs for hot cut functions, a stand-alone UNE-L service – *i.e.,* a service that does not rely on AT&T's UNE-P to UNE-L migration strategy – would be economically infeasible.

11. Verizon's sudden hot cut NRC increase will likely have a chilling affect on facilities-based local telephone investment by competitive local exchange carriers ("CLECs") in other states as well. As shown above in Tables 1 & 2, other Verizon-territories have a substantially lower – although still overstated – NRCs for hot cut functions compared to New Jersey. If Verizon-NJ is permitted to raise its NRCs for hot cut functions from $32.16 to $159.76, Verizon will be further emboldened to demand similar NRC increases in other states. Faced with potential cost increases of this magnitude, AT&T and other CLECs will be reticent about implementing new facilities-based local telephone entry strategies in states outside of New Jersey – even if the NRCs for hot cut functions in those other states currently appear to support entry – because AT&T and other CLECs would fear arbitrary rate increases like those in New Jersey.

III. CONCLUSION.

12. In sum, a substantial reduction in the New Jersey hot cut NRC is a necessary predicate to facilities based competition in New Jersey.

VERIFICATION PAGE

I declare under penalty of perjury that the foregoing Declaration is true and correct.

John Sczepanski

Executed on: January 10, 2002

C

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

Application of Verizon New Jersey, Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions), Verizon Global Networks, Inc., and Verizon Select Services Inc., For Authorization To Provide In-Region, InterLATA Services In New Jersey	)	CC Docket No. 01-347

DECLARATION OF

ROBERT J. KIRCHBERGER,

E. CHRISTOPHER NURSE, AND

MOHAMMED K. KAMAL

ON BEHALF OF AT&T CORP.

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